

## Message Text

UNCLASSIFIED

PAGE 01 STATE 219016  
ORIGIN TRSE-00

INFO OCT-01 EA-12 ISO-00 L-03 DLOS-09 OES-09 /034 R

TX-387

DRAFTED BY TREAS:XAA:MDFIELD  
APPROVED BY STATE:L/T:AROVINE  
TREAS:XLI:HDROSENBLUM  
EA/TIMBS:DPSULLIVAN  
-----004662 291741Z /44  
R 291515Z AUG 78  
FM SECSTATE WASHDC  
TO AMEMBASSY JAKARTA

UNCLAS STATE 219016

E.O. 11652:N/A

TAGS: EFIN

SUBJECT:PROPOSED U.S.-INDONESIA INCOME TAX TREATY

REFERENCES: STATE 176629 7/13/78:JAKARTA 2166 2/17/78

1. LAST FIVE YEARS OF CABLE TRAFFIC ON PROPOSED TAX  
TREATY SHOW THAT DEFINITION OF CONTINENTAL SHELF AREA IS A  
QUESTION OF MAJOR IMPORTANCE TO BOTH COUNTRIES, NOT FOR TAX  
PURPOSES, BUT FOR NON-TAX REASONS. RECENT REVIEW INDICATES  
THAT NEITHER SIDE FEELS ABLE TO COMPROMISE ON THIS POINT.

2. FOR PURPOSES OF THE TAX TREATY, THE ISSUE IS NOT  
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CONTROVERSIAL. NO PRACTICAL PROBLEM HAS ARISEN UNDER ANY  
U.S. TAX TREATY WITH RESPECT TO WHICH COUNTRY HAS TAXING  
JURISDICTION OVER THE CONTINENTAL SHELF OF ONE OF THE  
CONTRACTING COUNTRIES. IT IS OUR UNDERSTANDING THAT GOI  
FINANCE MINISTRY EQUALLY UNCONCERNED.

3. TO PREVENT A REASONABLE AND DESIRABLE TAX TREATY FROM  
CONTINUING TO BE HELD HOSTAGE BY AGENCIES NOT CONCERNED  
WITH TAX POLICY, WE PROPOSE THAT THE ISSUE BE REMOVED FROM

THE TAX TREATY ENTIRELY AND LEFT TO BE RESOLVED IN THE NON-TAX CONTEXT IN WHICH IT CAUSES PROBLEMS. THIS COULD BE DONE BY STRIKING PARAGRAPHS (1)(A) AND (1)(B) OF ARTICLE 3 AND BEGINNING THAT ARTICLE WITH WHAT IS NOW PARAGRAPH (1) (C). IT IS NOT NECESSARY TO DEFINE THE TWO COUNTRIES IN THE TREATY; EACH WILL SIMPLY USE ITS OWN STATUTORY DEFINITION. IN THE PROTOCOL AD ARTICLE 3 WOULD ALSO BE DELETED. THE DELETIONS WOULD BE OF NO SIGNIFICANCE TO THE OPERATION OF THE TREATY AND NEITHER COUNTRY WOULD BE IN THE POSITION OF HAVING EVER ACCEDED TO THE OTHER'S DEFINITION OF ITS TERRITORY IN A NEGOTIATED TEXT. IF GOI PREPARED TO ACCEPT THIS PROPOSAL, WE ARE WILLING TO REVIEW TEXT OF SIDE LETTER ON NONDISCRIMINATION TO SEEK A FORMULATION MORE ACCEPTABLE TO THEM.

4. WE MAY WANT TO RAISE A FEW OTHER QUESTIONS BUT FORESEE NO OTHER MAJOR OBSTACLES. CHRISTOPHER

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PAGE 01 STATE 219016  
ORIGIN DLOS-09

INFO OCT-01 ISO-00 /010 R

66011

DRAFTED BY:D/LOS:ABERLIND

APPROVED BY:D/LOS:ABERLIND

-----062539 011334Z /43

R 010915Z SEP 78

FM SECSTATE WASHDC

INFO USMISSION USUN NEW YORK 0137

UNCLAS STATE 219016

FOR TAFT, USDEL LOS

FOL STATE 219016 SENT ACTION JAKARTA AUG 29, 1978

QUOTE UNCLAS STATE 219016

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NOTE BY OC/T: ORIGINAL DISTRIBUTION: EA,ISO,TRSE/L,DLOS,OES.

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PAGE 01 STATE 219016  
ORIGIN DLOS-09

INFO OCT-01 ISO-00 ( ISO ) R

66011

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APPROVED BY:D/LOS:ABERLIND

-----085625 012229Z /43

R 010915Z SEP 78

FM SECSTATE WASHDC

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONTINENTAL SHELF, TAX AGREEMENTS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Litigation History:**  
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**Message ID:** ffccf759-c288-dd11-92da-001cc4696bcc  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 STATE 176629, 78 JAKARTA 2166  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
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**Review Event:**  
**Review Exemptions:** n/a  
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**Review Release Event:** n/a  
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**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** PROPOSED U.S.-INDONESIA INCOME TAX TREATY  
**TAGS:** EFIN, US, ID  
**To:** JAKARTA  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014